SUMMARY OF AIRPORT AND AIRWAY TRUST FUND TAX PROPOSALS

(H.R. 4800 and Administration Proposal)

Scheduled for Consideration

by the

Committee on Ways and Means

on

April 28, 1982

Prepared by the Staffs

of the

Joint Committee on Taxation

and

Committee on Ways and Means

April 27, 1982

JCX-10-82

INTRODUCTION

This document provides a summary of H.R. 4800 (the Airport and Airway Revenue Act of 1981), as introduced on October 21, 1981, by Messrs. Rostenkowski and Conable. It also provides a summary of the Administration's current Airport and Airway Trust Fund tax proposal (as included in the fiscal 1983 budget document). (A previous staff document, JCX-31-81, provides a more detailed description of H.R. 4800, and of present and prior law.)

The Committee on Ways and Means began consideration of H.R. 4800 on October 27, 1981, but did not complete action on the bill. The bill is for consideration by the Committee on Ways and Means as the revenue title to accompany H.R. 2643 (the Airport and Airway Improvement Act of 1981), as reported by the Committee on Public Works and Transportation and the Committee on Science and Technology. H.R. 2643 provides Trust Fund authorizations through fiscal 1983.

The Committee on Public Works and Transportation (in a letter to Chairman Rostenkowski, dated March 30, 1982) indicates that a floor amendment will be offered to H.R. 2643 to increase the fiscal 1983 authorization for Facilities and Equipment from $425 million to $725 million as the first step in implementation of the Administration's recently proposed National Airspace System Plan to modernize the airway system.

SUMMARY OF AIRPORT AND AIRWAY TRUST FUND TAX PROPOSALS

A. Summary of H.R. 4800

(The Airport and Airway Revenue Act of 1981)

Overview

As introduced, H.R. 4800 would extend and reinstate the aviation excise taxes transferred to the Airport and Airway Trust Fund, effective January 1, 1982, through December 31, 1983. Trust Fund revenues would be available for the purposes specified in H.R. 2643, as reported by the House Public Works Committee.

Tax Levels

Under H.R. 4800, the air passenger ticket tax would continue at its present 5-percent rate and the air freight waybill tax would be reinstated at its prior rate of 5 percent. The international departure tax would be reinstated at a rate of $5 per person. The fuel tax would be imposed at 12 cents per gallon for both gasoline and jet fuel and the tire and tube taxes would continue as under present law. The prior law use taxes would be repealed for both commercial or general aviation. (The attached table compares these tax levels with those under prior and present law and with the Administration's current proposal.)

Other Modifications

The bill proposes a number of technical modifications to the taxes on air passengers as follows:

- The requirement that the ticket fare and tax be shown by trip segments would be repealed.
- The 6-hour layover rule under the international departure tax would be increased to 12 hours for purposes of determining whether the flight will be treated as uninterrupt-

ed travel subject only to the departure tax. (This tax applies to travel beginning in the U.S.).

- The Secretary of the Treasury would be granted the authority to waive the 225-mile zone rule if Canada or Mexico enter into a "qualified agreement" regarding the tax to be applied to persons travelling by air between the U.S. and that country. The 225-mile zone subjects travel between the U.S. and Canada or Mexico to the ticket tax where payment is made in the U.S. The purpose of this amendment is to allow Treasury to negotiate a bilateral agreement with such countries to eliminate any double taxation of travel between the countries.
- Flights to and from the continental U.S. and Alaska and Hawaii would be subject to the 5-percent ticket tax. Under present and prior law, such trips are subject to the ticket tax for the portion of the trip over the U.S. while the portion over international waters is taxed only under the departure tax. As a result, each such trip must be allocated between taxable and non-taxable portions and trips from the West Coast are subject only to the departure tax. The freight tax would not be affected.
- The provision that permits the airlines to be charged for the overtime costs of customs personnel for Sunday and holiday service would be reinstated.

Trust Fund Statute Transferred to the Internal Revenue Code

The statutory provisions regarding the Trust Fund would be transferred to a new title in the Internal Revenue Code in order to more closely coordinate it with the excise taxes which fund it. (The Black Lung Disability Trust Fund Provisions were transferred to the Code in the Black Lung Benefits Revenue Act of 1981.)

B. Administration Proposal

Under the Administration's current proposal (as included in the fiscal 1983 budget document), the Airport and Airway Trust Fund excise taxes would be reinstated generally at the prior law levels along with higher fuels tax rates for non-commercial aviation.

Effective July 1, 1982, the Administration proposal would set the aviation excise taxes at the following rates (with no expiration or reduction date): increase the air passenger ticket tax from 5 percent to 8 percent, reinstate the 5-percent air freight waybill and $3 international departure taxes, and increase the fuels taxes for noncommercial aviation to 12 cents per gallon for gasoline and 14 cents per gallon for nongasoline (e.g., jet) fuels. Further, the fuels tax rates would each increase by 2 cents per gallon annually for 1984-1987, until reaching 20 cents per gallon for gasoline and 22 cents per gallon for nongasoline fuels in 1987 and thereafter. Revenues from these aviation excise taxes and the existing taxes on aircraft tires and tubes would, beginning on July 1, 1982, be transferred again to the Airport and Airway Trust Fund. (See the attached table comparing the aviation excise tax rates under present and prior law, H.R. 4800, and the Administration proposal.)

COMPARISON OF AVIATION EXCISE TAXES UNDER PRESENT AND PRIOR LAW,

H.R. 4800 AND CURRENT ADMINISTRATION PROPOSAL

Tax	Present law rates (and fund)	Prior trust fund rates (July 1970 - Sept. 1980)	H.R. 4800[1] (trust fund)	Current Administration proposal[2] (trust fund)
Air passenger ticket tax	5% (General)	8%	5%	8%
Air freight waybill tax	---	5%	5%	5%
International departure tax	---	$3/person	$5	$3
Fuels tax for noncommercial (general) aviation:				
Gasoline	4 cents/ gal. (Hwy. Trust Fund)	7 cents/gal.	12 cents/gal.	12-20 cents/gal.[3]
Nongasoline (jet fuel, etc.)		7 cents/gal.	12 cents/gal.	14-22 cents/gal.[3]
Aircraft use tax	---	4/	None	None
Aircraft tires & tubes tax	5/ (Hwy. Trust Fund)	5/	5/	5/

1/ Except for the 5-percent ticket tax (which is a continuation of present law), the tax rates would apply from Jan. 1, 1982 through Dec. 31, 1983.

2/ As included in the Administration's fiscal 1983 budget document. The new tax rates and transfers to the Airport and Airway Trust Fund would be effective on July 1, 1982 (with no expiration date). The 1981 Administration proposal would have set the ticket tax at 6.5%, and phased in higher rates for noncommercial fuels: 12-36 cents/gallon for gasoline and 20-65 cents/gallon for nongasoline fuels (H.R. 2930).

3/ The gasoline tax rate would be 12 cents/gallon for 1982 and 1983, increasing by 2 cents/gallon annually to 20 cents in 1987. For nongasoline, the tax rate would be 14 cents/gallon in 1982 and 1983, increasing 2 cents/gallon annually to 22 cents in 1987.

4/ An annual use tax of two parts: (1) a $25 per plane tax, plus (2) a weight tax of 3 1/2 cents/pound for turbine-powered (jet) aircraft and 2 cents/pound for nonturbine-powered aircraft for each pound in excess of 2,500 pounds of maximum certificated takeoff weight.

5/ Taxed at the general rates for nonhighway tires (5 cents/pound before January 1, 1981, and 4.875 cents/pound thereafter) and inner tubes (10 cents/pound).

PROJECTED AIRPORT AND AIRWAY TAX RECEIPTS, FISCAL YEARS 1982-1987

	Fiscal Years -- Millions of Dollars					
	1982[1]	1983	1984[1]	1985	1986	1987
Present Law						
Ticket tax (5%)	1,253	1,458	1,654	1,872	2,102	2,338
Fuels tax (4¢ gallon-aviation gasoline)	14	15	15	6	6	6
Tires and tubes	1	1	1	*	*	*
Total	1,268	1,474	1,670	1,878	2,108	2,344
H.R. 4800 Tax Rates[2]						
Ticket tax (5%) [3]	1,265	1,556	1,667	1,872	2,102	2,338
Waybill tax (5%)[4]	12	114	16	*	*	*
Fuels tax (12¢ gallon)[4]	36	118	20	6	6	6
International departure tax ($5/head)[4]	15	137	18	*	*	*
Tires & tubes tax	1	1	*	*	*	*
Total	1,329	1,926	1,721	1,878	2,108	2,344
Administration's Proposal[2]						
Ticket tax (8%)	1,341	2,332	2,646	2,996	3,364	3,740
Waybill tax (5%)	12	114	130	147	168	191
Fuels tax (gasoline: 12-20¢/gal.; nongasoline: 14-22¢ gal.)	36	131	157	189	219	255
International departure tax ($3/head)	9	82	87	92	98	103
Tires & tubes tax	1	1	1	1	1	1
Total	1,399	2,661	3,020	3,426	3,850	4,290

*Less than $500,000.

1/ The estimates below are of total receipts in that fiscal year, not amounts transferred to the Trust Fund.

2/ Changes from present law are effective July 1, 1982.

3/ With a flat 5% on Alaska/Hawaii/Mainland flights.

4/ Taxes effective through December 31, 1983.